

Bringing Michigan Highway Finance and Governance into the 21st Century

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Citizens Research Council of Michigan

Transportation Summit: Michigan Partnerships
Funding Panel

December 4, 2003

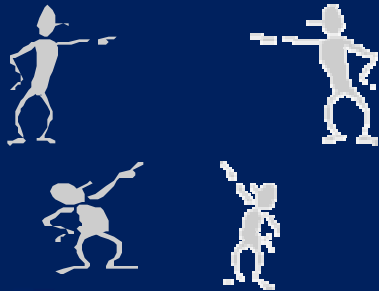
Who do you have to convince?

- Legislature
 - Set state tax rates
 - Authorize local taxes
- Local vote required
 - Increase tax rates
 - Levy new taxes

A Simplified Transportation System

- Efficiency
- Effectiveness
- Accountability

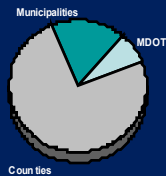
"It's not our fault"



Michigan Highway System

- Local units responsible for road care
- Highway revenues ultimately spend by local governments

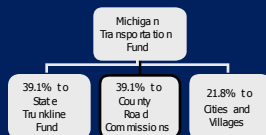
Jurisdiction for Roads



MDOT, Road and Figure, 2011

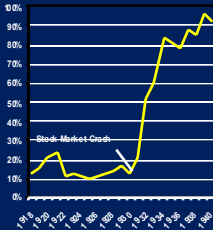
Michigan Highway System

- State responsible for raising revenue
- High level of revenue sharing



McNitt and Horton Acts of 1931

State Funding Source of Local Highway Spending



- McNitt Act – shifted jurisdiction of township roads to county road commissions
- Horton Act – shifted state funding to local agencies

Review of Jurisdictional Control

“Continuing review is axiomatic to the highway classification process and is fundamental to its theory. To ignore review is to assume that conditions which directly influence highway classifications remain static. The process of review and updating should encompass not only physical changes in the criteria used to evaluate the jurisdictional status of our road network but also the methods employed in such classification.”

MI Dept of State Highways, 1967

1930s v 2000s

- Population growth
- Urban sprawl
- New cities incorporated/charter townships
- Urban counties
- Railroads replaced by interstates
- The daily commute

Only Incremental Change

- Since 1973
 - ~100 miles of roads transferred from county road commissions or municipalities to MDOT
 - ~200 miles of roads “turned back” from MDOT to local road agencies

Assigning Jurisdictional Control

- Create criteria
 - i.e., mobility v accessibility, character of traffic
 - Apply criteria in a rational, consistent manner with stable maintenance over time
 - Understandable to all
- One Approach
 - State > interstates, roads of highest significance
 - Counties > regional roads
 - Cities, Villages, Townships > local access roads

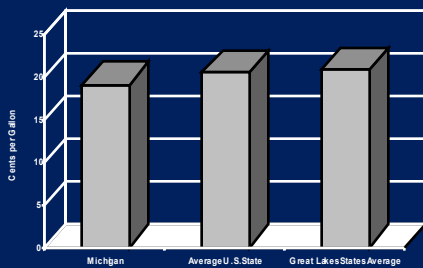
Reorganization of Jurisdictional Control

- Benefits to governmental agencies
 - Promote economic development
 - More effective land use planning
 - Concentrate efforts
- Benefits to Taxpayers
 - Understandable to everyone
 - Increase accountability
 - Create meaningful allocation of resources
 - Create economies and efficiencies

Prioritization

- Assess condition of roads and bridges
- Prioritize needs
- Public documents
 - Describing road and bridge conditions
 - Describing approach to addressing needs
- Make case to taxpayers

Gas Tax Rates

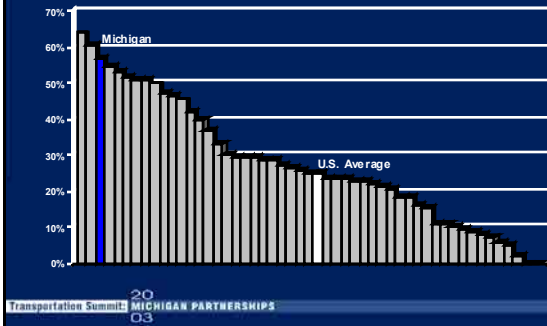


Source: Federation of Tax Administrators, February 2003

“The pain of raising revenue should accompany the pleasure of spending it.”

- John Shannon, U.S. ACIR

Reliance on State Highway Funds



Transit Funding

- State reimbursement of local spending
 - 40-50% based on amount available for distribution
 - Lack of transit blamed on insufficient state funding
- What service is more local in nature than transit?

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Local Government Own-Source Funding for Transportation

- Property Tax
 - Cap on assessments
 - Headlee rollbacks
 - Property tax burden above average
- Income Tax
 - Available only to cities

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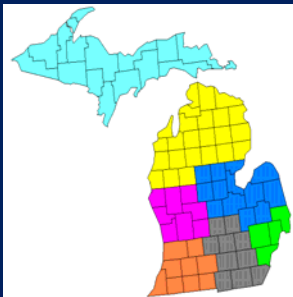
Regional Taxes

- Taxes not currently authorized to Michigan local governments
- Regional taxes preferred over county taxes
- Take less money from MTF

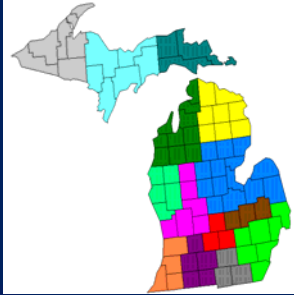
Local-Option Taxes

- Local-option county registration fees
 - 0 for 6 in attempts for enactment
- Reasons for rejection
 - Levied on county level
 - Commuting public not expected to pay
 - “Hit and miss” use of revenues

Regional Taxes



Regional Taxes



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Local Option Taxes – Motor Fuel

- Alabama
- California
- Florida
- Hawaii
- Illinois
- Mississippi
- Montana
- Nevada
- New Mexico
- Oregon
- South Dakota
- Tennessee
- Virginia
- Washington

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Local Option Taxes - Income/Payroll

- Alabama
- Arkansas
- Delaware
- Georgia
- Indiana
- Kentucky
- Maryland
- Missouri
- New Jersey
- New York
- Ohio
- Oregon
- Pennsylvania
- Virginia
- Washington

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Local Option Taxes – Sales Taxes

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Florida
- Georgia
- Illinois
- Iowa
- Kansas
- Louisiana
- Minnesota
- Missouri
- Montana
- Nebraska
- Nevada
- New Jersey
- New Mexico
- New York
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- Pennsylvania
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Washington
- Wyoming

Think like a Taxpayer

- What roads will be fixed?
- Will the money be used efficiently?
- Who should be held accountable if things do not improve?
- How will those paying the taxes benefit?

Reshape Highway Governance

- MDOT
 - Interstate highways and roads serving mobility
 - State gas tax and registration fees
 - Adjust tax rates to reflect state burden
- County Road Commissions/Regional Agencies
 - Regional roads and transit/no local access roads
 - New regional taxes
 - Some state support
- Municipalities – Cities, Villages & Townships
 - Responsible only for local access roads
 - Fund with municipal taxes

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*"Insanity is doing things you've always
done and expecting different results."*

Albert Einstein
